

CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION
(Include Holding Company Where Applicable)

First Reliance Bancshares

Point of Contact:	Jeffrey A. Paolucci, EVP & CFO	RSSD: (For Bank Holding Companies)	3070312
UST Sequence Number:	623	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	15,349,000	FDIC Certificate Number: (For Depository Institutions)	35214
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	March 06, 2009	City:	Florence
Date Repaid ¹ :	N/A	State:	South Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

During 2010 we've originated \$40 million in new production and we have renewed \$85 million in loans to qualified borrowers that we would not have otherwise been in a position to make if not for the TARP funds.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

Majority of the loans we have originated in new production or renewed during 2010 have been commercial, small business, 1-4 family residential, and mortgage loans.

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☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

☒ Increase reserves for non-performing assets.

The Company was able to increase reserves for non performing assets. Due to the economy additional reserves were required on the Bank's existing loan portfolio

☒ Reduce borrowings.

During 2010 the Company decreased wholesale borrowings by \$35 million

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☐ Increase charge-offs.

☐ Purchase another financial institution or purchase assets from another financial institution.

☐ Held as non-leveraged increase to total capital.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

First Reliance Bancshares received \$15,349,000 on March 6, 2009 from the U.S Treasury as a part of the Treasury's Capital Purchase program. CPP funds provided additional capital and placed the bank in a better position to make or renew loans to qualified borrowers that we would not have otherwise been in a position to make if not for the TARP funds. CPP funds have strengthened our capacity to respond to the legitimate credit needs of our customers and communities. We have advised our customers, employees, and community of our commitment to support our communities' growth and of our receipt of CPP funds, which strengthens our balance sheet. That strength allows us the flexibility to offer innovative programs, such as Hometown Heroes checking account with the embedded loan program offers.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

First Reliance Bancshares received \$15,349,000 on March 6, 2009 from the U.S Treasury as a part of the Treasury's Capital Purchase program. TARP provided additional capital and placed the bank in a better position to make or renew loans to qualified borrowers that we would not have otherwise been in a position to make if not for the TARP funds. Additionally, the bank was able to increase reserves on nonperforming loans and thus continued to lend to qualified borrowers.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.